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# DEFENSE SYSTEMS MANAGEMENT COLLEGE



## PROGRAM MANAGEMENT COURSE INDIVIDUAL STUDY PROGRAM

SPECIAL TERMINATION COSTS  
CLAUSE, ASPR 8-712

STUDY PROJECT REPORT  
PMC 77-1

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MAJOR US ARMY

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# SPECIAL TERMINATION COSTS

CLAUSE, ASPR 8-712

Individual Study Program

Study Project Report

Prepared as a Formal Report

Defense Systems Management College

Program Management Course

Class 77-1

By

Raymond F. Vachon  
Major, US Army

May 1977

Study Project Advisor  
Dr. Joe Hood

This study project report represents the views, conclusions and recommendations of the author and does not necessarily reflect the official opinion of the Defense Systems Management College or the Department of Defense.

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DEFENSE SYSTEMS MANAGEMENT COLLEGE

STUDY TITLE:

Special Termination Costs Clause, ASPR 8-712

STUDY PROJECT GOALS:

To determine when and how the Special Termination Costs Clause is used with particular emphasis on the funding aspects

STUDY REPORT ABSTRACT:

The purpose of this study project is to assist Program Managers and/or other interested persons in becoming familiar with the use of the Special Termination Costs Clause as stated in paragraph 8-712 of the Armed Services Procurement Regulation. Much of the material contained in the report was obtained by interviewing knowledgeable persons who have worked with the clause and by reading numerous reports and other documentation on the subject matter. The clause has been used in contracts only to a limited extent by the Services, primarily the Air Force. The major obstacles to increased use of the clause appear to be the small number of contracts which meet the required dollar criteria as stated in the ASPR and the possibility of violating the Anti-Deficiency Act if funds are not available to pay termination costs. The opinion of most agencies working with the clause, is that it is not necessary to have the funds cited in the clause prior to the determination to terminate the contract for the convenience of the Government. The report recommends that Program Managers make maximum use of the Special Termination Costs Clause when appropriate. If used, the supporting budget office should be informed of the potential liabilities over and above the dollars obligated.

SUBJECT DESCRIPTORS: Better utilization of contract dollars, Anti-Deficiency Act, funding of termination costs.

NAME, RANK, SERVICE	CLASS	DATE
RAYMOND F. VACHON, MAJ, Army	PMC 77-1	May 1977

## EXECUTIVE SUMMARY

The goal of this paper is to assist Project Managers and/or other interested persons in becoming familiar with the use of the Special Termination Costs Clause as stated in paragraph 8-712 of the Armed Services Procurement Regulation. The use of this clause which is approved by the Service Secretaries, enables a contractor to more fully utilize the funds allotted to the contract without the need to provide a reserve against possible termination and also limits the government's total liability in the event a contract is terminated for the convenience of the government. An area of major concern by users of the Special Termination Clause is the possibility of violating the Anti-Deficiency Act if funds are not available to pay termination costs.

The clause has been used in contracts only to a limited extent by the Services, primarily the Air Force. The major obstacles to increased use of the clause appear to be the small number of contracts which meet the required dollar criteria as stated in the ASPR and the possibility of violating the Anti-Deficiency Act if funds are not available to pay termination costs.

When a contract using the clause is terminated, funding of termination costs can come from three sources (1) residual program funds, (2) funds transferred from other programs (reprogramming), and (3) funds received through a supplemental appropriation. The opinion of most agencies concerned with the funding aspects of the Special Termination Costs Clause is that it is not necessary to have the funds cited in the Clause either appropriated or committed at anytime prior to the determination to terminate the contract for the convenience of

the Government. While it is not necessary to budget for the aggregate of the Services potential termination liability, since it is unlikely that all of the contracts containing the clause will be terminated, it is essential that appropriate budget offices assure that balances will be available in the appropriations to cover the reserved termination costs.

#### ACKNOWLEDGEMENTS

Much of the information contained herein would not have been possible without the cooperation of the persons listed below. Their assistance was greatly appreciated.

Mr. Harvey Levin, GS-15, Procurement Officer, Ballistic  
Missile Defense Program Office

Mr. Ollie Kennedy, Office of Comptroller of the Army,  
Fiscal Policy, U.S. Army

Mr. David Freeman, Air Force R&D Procurement Office, Pentagon

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## SECTION I

### INTRODUCTION

#### Purpose

The goal of this paper is to assist Project Managers and/or other interested persons in becoming familiar with the use of the Special Termination Costs Clause as stated in Paragraph 8-712 of the Armed Services Procurement Regulation. The use of this clause which is approved by the Service Secretaries, enables a contractor to more fully utilize the funds allotted to the contract without the need to provide a reserve against possible termination and also limits the government's total liability in the event a contract is terminated for the convenience of the government. An area of major concern by users of the Special Termination Clause is the possibility of violating the Anti-Deficiency Act if funds are not available to pay termination costs. The Anti-Deficiency Act states in part: "...No officer or employee of the United States shall make or authorize an expenditure... or authorize an obligation... in excess of the amount available..."

To accomplish the above goal, this paper will address the background of the Special Termination Costs Clause, users of the clause within DOD, and funding for costs arising out of termination for convenience.

#### Senate Armed Services Committee Report

Emphasis has been placed on the use of the Special Termination Costs Clause as evidenced by the following excerpt

from the Senate Armed Services Committee Report on the DOD FY 1974 Procurement Authorization Bill, Report No. 93-385, dated 6 September 1973.

"Under the standard Armed Services Procurement Regulation (ASPR) clauses used in an incrementally funded cost-reimbursement type research and development contract, the government is not obligated to reimburse the contractor for costs incurred in excess of the total amount of funds allotted to the contract, including costs allowable under the termination clause. This induces the contractor to monitor the government's liability to make sure that it is not exceeded, and to assure that costs the contractor would incur in the event of termination are recoverable within the total amount of the Government's liability. This may result, in effect, in contractors limiting their costs to provide a reserve to cover termination costs should termination occur. Such action could lead to tying up of considerable amounts of money for potential termination charges and prevent the more effective and timely utilization of appropriations for research and development.

"Section 8-712 of the ASPR, however, permits the use of a Special Termination Costs Clause for major research and development contracts in excess of \$25 million. This requires the government to pay certain termination costs in a stated amount in excess of the amount otherwise allotted to the contract. The use of this clause enables a contractor to more fully utilize the funds allotted to the contract without the need to provide for a reserve against possible termination.

"The Special Termination Costs Clause has not been widely used. The Air Force has used it in a number of their contracts, and the committee is not aware that it has been used by either the Army or the Navy. Although funds are not obligated when the Special Termination Costs Clause is used, in order to assure that the provisions of the Anti-Deficiency Act are not violated in the event of termination, the departments must assure that funds are available to cover this potential liability if termination occurs. However, in view of the unobligated balances available in the RDT&E appropriations, and the relatively small risk of termination of any major contracts that could contain the clause, the risks of not having sufficient funds to meet these potential obligations are minimal. Accordingly, the committee suggests that greater use of the clause be made by all the military departments.

"The selective use of this clause on a case-by-case basis would be considered prudent business practice, and the benefits to be derived far outweigh any potential risks which would in any event be manageable."

#### Background

In early 1968, the Aerospace Industries Association recommended to DOD's ASPR Committee that a termination costs clause be established in ASPR. This clause would allow contractors to effectively use all money obligated to a program rather than having to limit their costs to maintain a reserve to cover potential termination costs. The Association suggested that the DOD establish a termination funding reserve account to pay termination costs. The amount of the account would be based on prior DOD experience and would total much less than the cumulative potential termination costs being reserved under individual contracts (1:1)<sup>1</sup>.

The ASPR Committee studied the recommendations and prepared a proposed special termination costs clause. The clause did not include the termination funding reserve account suggested by the Association, but did include a maximum terminal cost liability (1:1).

Industry associations felt that a maximum termination costs liability should not be included in the clause because the contractor's risks would be increased since the Government's liability would be limited to the negotiated amount. They also felt that the optimal use of the clause should be extended to lower dollar value contracts -

<sup>1</sup> This notation will be used throughout the paper for sources of quotations and major references. The first number is the source listed in the bibliography. The second number is the page in the reference.

\$5 million for research, development, test and evaluation (RDT&E) contracts and \$10 million for production contracts rather than the \$25 million and \$100 million levels proposed. Neither suggestion was included in the clause put into ASPR in early 1970 (1:1).

In June 1973, the minimum limits for optional use of the clause were raised from \$25 million to \$50 million for RDTE contracts and from \$100 million to \$200 million for production contracts. These new minimums were established to meet the funding level of criteria which defines a major weapon system. Subsequent ASPR Committee meetings changed the minimum limits back to \$25 million RDTE and \$100 million for production which are reflected in the 1 July 1976 edition of the ASPR (1:1).

## SECTION II

### ASPR CLAUSES 8-712, 7-108.3

Paragraph 8-712, Armed Services Procurement Regulation, 1 July 1976, permits the use of Special Termination Costs Clauses for major research and development contracts in excess of \$25 million and \$100 million in total production investment. It requires that the contractor and the contracting officer agree upon an amount that represents their best estimate of the total Special Termination Costs to which the contractor would be entitled. This requires the Government to pay certain termination costs in a stated amount in excess of the amount otherwise allotted to the contract. The use of this clause which is approved by the Secretaries of the Departments concerned, enables a contractor to more fully utilize the funds allotted to the contract without the need to provide a reserve against possible termination. Paragraph 8-712 as stated in the current ASPR is as follows:

#### "8-712 Special Termination Costs.

"(a) The clause in 7-108.3 is authorized for use in an incrementally funded contract when:

- (i) the contract term is two years or more;
- (ii) the contract is estimated to require total RDT&E financing in excess of \$25 million, or total production investment in excess of \$100 million;
- (iii) adequate resources are available within existing appropriated amounts to cover the contingent reserved liability for special termination costs in the event of contract termination; and
- (iv) the use of the clause in the contract is approved by the Secretary of the Department concerned or his designee.

"The clause may be used in circumstances other than those in (i) and (ii) above when approved by the Secretary of the Department concerned or his designee. Any addition to the categories of special termination costs listed in paragraph (a)(i) through (v)

of the clause in 7-108.3 shall be processed in accordance with 1-109.3.

"(b) The contractor and the contracting officer shall agree upon an amount that represents their best estimate of the total special termination costs to which the contractor would be entitled in the event of termination of the contract. Such amount shall be inserted in the clause.

"(c) A provision allowing for negotiated adjustments of the amount reserved for special termination costs may be inserted as paragraph (d) of the clause. Contract provisions for periodic adjustments by mutual agreement of the parties may be established based on, among other things, (i) set time periods within the contract, (ii) the Government's incremental assignment of funds to the contract, or (iii) the time when certain performance milestones are accomplished by the contractor. Provisions for such adjustments may be considered desirable in contracts containing unusually long performance periods, or in contracts where the contractor's cost risk associated with the contingent special termination costs, in the event of Government termination, fluctuates extensively over the period of the contract, depending on the scope of work to be performed during a certain period of the contract, or the amount of funds to be assigned to the contract during any one increment."

ASPR clause 7-108.3, which is referred to in 8-712 is as follows:

"7-108.3 Special Termination Costs. In accordance with 8-712, insert the following clause.

"(a) Notwithstanding the Limitation of Cost/Limitation of Funds, clause of this contract, the Contractor shall not include in his estimate of costs incurred or to be incurred, any amount for special termination costs, as herein defined, to which the Contractor may be entitled in the event this contract is terminated for the convenience of the Government. The Contractor agrees to perform this contract in such a manner that its claim for such special termination costs will not exceed \$..... The Government shall have no obligation to pay the Contractor any amount for the special termination costs in excess of this amount. Special termination costs are defined as costs only in the following categories:

- (i) severance pay as provided in 15-205.39(b)(ii);
- (ii) reasonable costs continuing after termination as provided in 15-205.42(b);
- (iii) settlement expenses as provided in 15-205.42(f);
- (iv) costs of return of field service personnel from sites as provided in 15-205.25, and 15-205.46(d); and
- (v) costs in categories (i),(ii),(iii), and (iv) above to

which subcontractors may be entitled in the event of termination.

"(b) In the event of termination for the convenience of the Government, this clause shall not be construed as affecting the allowability of special termination costs in any manner other than limiting the maximum amount payable therefor by the Government.

"(c) This clause shall remain in full force and effect until this contract is fully funded."

An example of the use of this clause as incorporated into a contract by a major Army program is attached at Appendix A.

SECTION III  
DOD USE OF THE SPECIAL  
TERMINATION CLAUSE

The clause has been used in contracts only to a limited extent by the Services, primarily the Air Force. The major obstacles to increased use of the clause appear to be the small number of contracts which meet the required dollar criteria as stated in ASPR and the possibility of violating the Anti-Deficiency Act if funds are not available to pay termination costs. In 1974 an analysis was made of the use of the Special Termination Clause for major RDT&E contracts within the military departments (12:1). The results of that analysis are shown on Figures one through three.

Department of the Air Force  
Special Termination Costs Clause on R&D Contracts

<u>Short Title</u>	<u>(R&amp;D Cost Reimbursement Contracts of \$50 Mil. or More)</u> <u>Special Termination Costs Clause</u>	<u>Explanation if Clause is Not Used</u>
Adv Med STOL Transport	Not Used	Both contracts were renegotiated in March 1974 and neither contractor agrees to use of the clause.
B-1	Used	
EF-111A	Used	
A-10 Aircraft	Used	
Adv Airborne Cmd Post	Used	
AWACS	Used	
F-15 Squadrons	Not Used	The structure of the F-15 contract and the LOGO clause being used do not recognize or fund any costs which could be included under a special termination costs clause.
Air Launched Cruise Missile	Used	

Used defined as in use in FY 1974 except for Air Launched Cruise Missile where use of clause is planned for FY 1975.

FIGURE 1

DEPARTMENT OF THE ARMY

<u>SHORT TITLE</u>	<u>SPECIAL TERMINATION COSTS CLAUSE USED</u>	<u>EXPLANATION IF CLAUSE NOT USED</u>
AAH	No	It is not intended to insert the clause in the contract. The reason for this is that the contract is managed by the C/SCSC System and the contracts do not show any reserve or management reserve for termination. There is no allowance in the incremental funding for termination and there are no apparent benefits derived from this clause and no reductions to the incremental funding would occur if the clause was imposed upon the project manager.
Improved HAWK	Not Eligible	The major portion of the RDTE effort had been completed prior to the effective date of Section 8-712 of ASPR.
HLH	No	Contractor is not withholding any funds for this contingency. By the time Secretarial approval can be obtained and funds made available, this contract will be almost fully funded. Clause is no longer applicable when contract is fully funded.
STINGER	No	Information available from the Cost/Schedule Control System Report in the STINGER contract indicates that no reserve has been established by the contractor for the purpose of covering potential termination charges, and it is considered, therefore, that the intended purposes of the special termination cost clause would not be served by its insertion in the contract at this time.

FIGURE 2

DEPARTMENT OF THE ARMY

SHORT TITLE      SPECIAL TERMINATION COST CLAUSE USED      EXPLANATION IF CLAUSE NOT USED

XM-1

Yes

Contractor: General Motors  
Contract No. DAAE07-73-C-0301  
Contract Amount: \$87.0 million

SAM-D

Yes

Contractor: Chrysler Motors  
Contract No. DAAE07-73-C-0300  
Contract Amount: \$68.1 million

TACFIRE

No

The Special Termination Clause prescribed in Section 8-712 of the ASPR was not included in the TACFIRE Contract awarded 8 December 1967. The Contract did, however, provide a clause as Article No. 82 "Limitation of Government Obligation (June 1963) (AFPI 7-4054)". The contract was originally awarded as a Total Package Procurement to Litten Systems, Inc., Van Nuys, California, for a ceiling price of \$122.3 million. The contract was restructured effective 31 March 72 to a development only contract with priced options for IRIP and FSP. The restructured contract does include as Article No. 89 a clause, "Limitation of Government Obligation".

In view of the fact that the contract does provide a termination clause, though not the Special Terminations Costs Clause prescribed

FIGURE 2A

DEPARTMENT OF THE ARMY

<u>SHORT TITLE</u>	<u>SPECIAL TERMINATION COSTS CLAUSE USED</u>	<u>EXPLANATION IF CHANGE NOT USED</u>
TACFIRE (Continued)		by Section 8-712 of ASPR, it is not recommended that the special clause be included. The TACFIRE program is now approaching final phases of development and no obligation authority could be saved by inclusion of the clause.
HELLFIRE	Not Eligible	No RDTE contractual actions have met the criteria defined in Section 8-712 of ASPR; i.e., the contractual terms are less than two years; RDTE contracts to date are less than \$50 million.
UTTAS	No	The UTTAS contracts were let prior to the effective date of Section 8-712, ASPR. DA is considering the use of these clauses as modifications to the UTTAS contracts.
SAFEGUARD BMD System	Yes	
SITE DEFENSE PROTOTYPE DEMONSTRATION PROGRAM	Yes	
SPRINT II (SITE DEFENSE)	No	Special "Wind-up Costs" clause incorporated in the SPRINT II contract DA-11C60-72-C-0130 with Martin-Marietta Corporation has been accepted by the contractor in lieu of requiring financing to cover potential termination.

FIGURE 2B

DEPARTMENT OF THE ARMY

SHORT TITLE      SPECIAL TERMINATION COSTS CLAUSE USED

EXPLANATION IF CLAUSE NOT USED

SPRINT II (SITE DEFENSE (Continued)

"J-23. Wind-up Costs.

Subject to the provisions hereinafter stated, the contractor shall pursue diligently the objectives set forth in the scope of work up to the end date of the period specified in section H; provided, however that unless the contracting officer notifies the contractor no later than 60 days prior to said date that the period of performance of the contract will be extended, the contractor shall reduce his diligent pursuit of the objectives of the scope of work as necessary to assure that allotted funds are sufficient for reimbursement of "wind-up" costs. Costs incurred in "wind-up of the contract will be allowable notwithstanding that they may be incurred after the end date of the period of performance specified in Section H, subject to Section J-1 - "Reimbursement of costs" and Part III - "General Provisions" Section L, Clause 2, "Limitation of Funds" and Clause 3 - "Allowable Cost, Incentive Fee and Payment," provided there is no negligent or willful failure to discontinue such cost as promptly as possible, costs incurred by the contractor relating to closeout of the contract will also be allowable subject to Section J-1, "Reimbursement of Costs", Part III - "General Provisions", Clause 2 - "Limitation of Funds" and Clause 3 - "Allowable Cost, Incentive Fee and Payment".

FIGURE 2C

Department of the Navy  
Special Termination Costs Clause on R&D Contracts  
(R&D Cost Reimbursement Contracts of \$50 Mil.)  
Special Termination Cost Clause

<u>Short Title</u>	<u>Used</u>	<u>Not Used</u>	<u>Explanation if Clause is Not Used</u>
AEGIS		X	Since current contract does not include funding for termination liabilities, Special Termination Cost Clause not needed.
NATO PHM	X		Upon approval, clause will be included in modification to contract.
ANBQQ-5 Sonar		X	Since current contract does not include funding for termination liabilities, Special Termination Cost Clause not needed.
S6G Nuclear Attack Sub Prop. Plant		X	DITTO
Gas Turbine Prop. System		X	DITTO
SES		X	DITTO
Amphibious Assault Landing Craft		X	DITTO
Hydrofoil Craft		X	DITTO
A-4W/AIG Nuclear Prop. Plant		X	DITTO
Sub-launched Cruise Missile	X		Plan to amend two contracts to include STCC.
TRIDENT Missile System	X		Plan to amend contract to use STCC.

FIGURE 3

SECTION IV  
FUNDING OF THE SPECIAL  
TERMINATION COSTS CLAUSE

When a contract using the clause is terminated, funding of termination costs can come from three sources: (1) residual program funds, (2) funds transferred from other programs (reprogramming), and (3) funds received through a supplemental appropriation. (1:1)

The first two sources are the most expedient means of paying termination costs when these funds are available. However, if a contract is terminated at or near the end of a fiscal year, unobligated funds from these sources may be limited. Requesting a supplemental appropriation would be a last resort. As stated in the Senate Armed Services Report on the DOD Fiscal Year 1974 Procurement Authorization Bill, the risks of not having unobligated balances available in the appropriation to meet potential termination costs are minimal. From a purely legal viewpoint, however, use of the clause does not release procurement officials from the possibility of violating the Anti-Deficiency Act because the availability of unobligated funds is not assured. (1:1)

Alternative solutions to overcome this obstacle include (1) authorizing the incurrence of termination costs under this clause to insure that additional funds will be made available if unobligated appropriation balances are not sufficient to cover these costs (this approach could be included in the annual DOD appropriation or (2)

legislation could be enacted to exempt costs incurred under the clause from the Anti-Deficiency Act (1:1).

The opinion of most agencies concerned with the funding aspects of the Special Termination Costs Clause is that it is not necessary to have the funds cited in the Special Termination Costs Clause. The basis for this opinion is that the purpose of the contract and funds appropriated for it are for the purposes justified to the Congress and contained in the contract. Since it is not the intent of either the Government or the contractor to terminate for the convenience of the Government, it seems inappropriate to tie up appropriated funds for the contingency of termination. If the clause is not used, there is no requirement for the government to reserve appropriated funds for the contingency of termination because the cost which may be ultimately incurred when a contract is terminated at the convenience of the government are subject to contractor claims, government audit, negotiation and payment as appropriate. The use of the clause merely limits the extent of the government's liability for termination claims.

In a memorandum dated 20 March 1974, (4:2), the Assistant Secretary of Defense, Comptroller, stated that:..."the annual budget and financial plan will not include amounts for special termination costs, unless termination action is planned or has already occurred, and annual funding requests will exclude amounts for special termination charges for contracts that are to be continued to completion. If these contracts are terminated prior to completion, the special termination charges will be covered by unobligated balances of the RDTE appropriation and, if necessary, by other available funds subject to any Congressional approval required for reprogramming..."

It is essential that the appropriate budget office have information relating to potential termination liabilities over and above the dollars obligated. While it is not necessary to budget for the aggregate of the Services potential termination liability, since it is unlikely that all of the contracts containing the clause will be terminated, it is essential that appropriate budget offices assure that balances will be available in the appropriations to cover the reserved termination costs.

There has been little experience wherein the clause was actually invoked. In other words, there have not been many major terminations which have involved the clause. In one instance where the clause became operative, the final settlement fell within the dollar limitations in the contract.

## SECTION V

### CONCLUSION AND RECOMMENDATIONS

The Special Termination Costs Clause has been used in contracts only to a limited extent by the Services, primarily the Air Force. The major obstacles to increased use of the clause appear to be the small number of contracts which meet the required dollar criteria as stated in ASPR and the possibility of violating the Anti-Deficiency Act if funds are not available to pay termination costs.

When a contract using the clause is terminated, funding of termination costs can come from three sources: (1) residual program funds, (2) funds transferred from other programs (reprogramming), and (3) funds received through a supplemental appropriation.

The opinion of most agencies concerned with the funding aspects of the Clause is that it is not necessary to have the funds cited in the Special Termination Costs Clause either appropriated or committed at anytime prior to the determination to terminate the contract for the convenience of the Government.

It is essential that the appropriate budget office have information relating to potential termination liabilities over and above the dollars obligated. Budget offices should assure that balances will be available in the appropriations to cover the reserved termination costs.

It is recommended that Program Managers make maximum use of the special termination costs clause when appropriate. If the clause is used, it is also recommended that the supporting budget office be informed of the potential liabilities over and above the dollars obligated.

APPENDIX A - INCLOSURE TO (9:1)

Clause to be Incorporated in Contract DAHC60-72-C-0130

SPECIAL TERMINATION COSTS (1970 FEB)

(a) Notwithstanding the clause of this contract entitled "Limitation of Costs/Limitation of Funds," the Contractor shall not include in his estimate of costs incurred or to be incurred, or of the total amount payable by the Government, any amount for Special Termination Costs, as herein defined, to which the Contractor may be entitled in the event this contract is terminated for the convenience of the Government. The Contractor agrees to perform this contract in such a manner that its claim for such Special Termination Costs will not exceed \$7,500,000. The Government shall have no obligation to pay the Contractor any amount for such Special Termination Costs in excess of such amount. Special Termination Costs for the purpose of this contract are defined as costs only in the following categories:

(i) severance pay as provided in ASPR 15-205.39(b)(ii).

(ii) reasonable post-termination plant maintenance and operation costs, if expressly made allowable under other provisions of this contract;

(iii) settlement expenses as provided in ASPR 15-205.42(f);

(iv) cost of return of field service personnel from sites;

(v) costs in categories (i), (ii), (iii), and (iv) above to which subcontractors may be entitled in the event of termination.

(b) In the event of termination for the convenience of the Government, the amount of such Special Termination Costs shall be determined in accordance with the provisions of the contract and this clause shall not be construed as affecting the allowability of such costs in any manner other than limiting the maximum amount payable therefor by the Government.

(c) This clause shall remain in full force and effect until this contract is fully funded.

(d) The amount set forth in paragraph (a) above and the date shown below, may be revised by mutual agreement with each major incremental assignment of funds to Article K-2, Incremental Funding. The contractor will perform the contract in such a manner that any claim for Special Termination Costs during the period ending 30 June 1975 will not exceed the amount stated above for that period.

## BIBLIOGRAPHY

1. Letter, 4 June 1974, from the Comptroller General of the United States to the Honorable John C. Stennis, Chairman, Committee on Armed Services, United States Senate. Discusses DOD use of the Special Termination Costs Clause.
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